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Message Text

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51
ACTION EB-11

INFO OCT-01 AF-10 ADP-00 COME-00 AID-20 CIAE-00 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 CIEP-02

LAB-06 SIL-01 OMB-01 DODE-00 PA-03 USIA-15 PRS-01 L-03

SCI-06 EUR-25 AGR-20 INT-08 SCEM-02 SS-15 NSC-10

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R 271100Z AUG 73
FM AMEMBASSY KHARTOUM
TO SECSTATE WASHDC 7014

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ALSO PASS COMMERCE

E.O. 11652: N/A
TAGS: EGEN, SU
SUBJ: US-SUDAN COMMERCIAL RELATIONS: FIRST FRUITS

1. BEGIN SUMMARY: FOUR US-SUDAN COMMERCIAL/INVESTMENT CONTACTS WITH A TOTAL INITIAL VALUE OF ABOUT $43 MILLION CULMINATED IN EARLY AUGUST. RESULTS REPRESENT SUCCESSFUL COMPLETION INITIAL PHASE US COMMERCIAL PROSPECTS FOLLOWING RESUMPTION DIPLOMATIC RELATIONS AND FIRST SUBSTANTIAL INPUTS TO SUDAN OF US PRIVATE CAPITAL AND TECHNOLOGY. SUCCESS DUE TO FACTORS WHICH OTHER U.S. FIRMS CAN ALSO EXPLOIT. US TRADE DEFICIT WITH SUDAN HAS BEEN REVERSED. ACTION REQUESTED: PUBLISHING OF APPROPRIATE ARTICLE IN "COMMERCE TODAY" AND PERHAPS ALSO IN COMMERCIAL PRESS ("WALL STREET JOURNAL" AND "JOUNAL OF COMMERCE") IN ORDER STIMULATE INCREASED US BUSINESS INTEREST IN SUDAN. END SUMMARY.

2. THE CONTRACTS: AMERICAN FIRMS SIGNED CONTRACTS WITH SUDANESE COMPANIES AND GOS AGENCIES IN EARLY AUGUST COMPLETING SERIES OF NEGOTIATIONS BEGUN FOLLOWING RESUMPTION DIPLOMATIC RELATIONS
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IN JULY 1972. DESCRIPTION OF THE FOUR MAIN CONTRACTS/INVESTMENTS AS WELL AS OTHER COMMERCIAL DEVELOPMENTS IS AS FOLLOWS:

A. BOEING AIRCRAFT. CONTRACT SIGNED AUGUST 7 WITH SUDAN

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AIRWAYS FOR PURCHASE TWO BOEING 707-320C AIRCRAFT. TOTAL VALUE: $27.5 MILLION INCLUDING TRAINING. EXIM FINANCING. COMMENT: NEGOTIATIONS WERE EXTENDED AND CAME CLOSE TO COLLAPSING ON SEVERAL OCCASIONS OVER FINANCING (EXIM) OR PACKAGE ELEMENTS (BOEING-SUDAN AIR). SUCCESSFUL CONCLUSION CREDIT TO ALL CONCERNED.

B. AMATEX (TEXTILE MACHINERY). CONTRACT SIGNED AUG. 11 WITH RED SEA SPINNING CO. FOR EQUIPMENT, SERVICES AND CONSTRUCTION "TURN-KEY" SPINNING MILL IN PORT SUDAN. TOTAL VALUE: $6.9 MILLION. EXIM FINANCING. COMMENT: NEGOTIATIONS LASTED ABOUT ONE YEAR. US SUCCESS ATTRIBUTABLE TO DETERMINED INTEREST SUDANESE OWNER IN US EQUIPMENT. HE ACCORDINGLY REFUSED MORE TIMELY OFFER FROM NON-US COMPETITORS TO PERMIT AMATEX PREPARED CONSORTIUM PACKAGE APPROACH WHICH WAS ESSENTIAL ELEMENT ENABLING US FIRMS TO GET TOTAL PROJECT.

C. NORTHROP-PAGE (EARTH SATELLITE STATION): CONTRACT SIGNED AUG. 2 FOR CONSTRUCTION EARTH SATELLITE STATION NEAR KHARTOUM. TOTAL VALUE: $5.8 MILLION INCLUDING TRAINING ($4.2 MILLION US GOODS AND SERVICES). EXIM AND KUWAITI SOURCES FINANCING. CONSTRUCTION TO BEGIN IN SEPTEMBER. COMMENT: NORTHROP-PAGE ALSO HAS GOS LETTER OF INTENT FOR NATIONAL COMMUNICATIONS SURVEY. NOTE: ESS CONTRACT IS CONFIDENTIAL UNTIL ANNOUNCED BY GOS.

D. UNION CARBIDE (DRY CELL BATTERY): GOS APPROVED INVESTMENT JULY 29 FOR UNION CARBIDE APPLICATION BUILD $2.75 MILLION DRY CELL BATTERY PLANT. COMMENT: SIMILAR LICENSE ALSO ISSUED UK FIRM, BUT UNION CARBIDE HAS COMPETITIVE HEAD START. UNION CARBIDE IS THE SECOND US FIRM RECENTLY TO MAKE OR EXPAND INVEST-MENT IN SUDAN (FIRST WAS STERLING DRUG IN MARCH 1973).

E. BUTTERWORTH MFG. CORP. (TEXTILE FINISHING EQUIPMENT) CONTRACT FINALIZED RECENTLY WITH SUDAN TEXTILES. TOTAL VALUE: $1 MILLION. EXIM FINANCING. COMMENT: QUESTION OF SUDANESE COMMERCIAL BANK GUARANTEE CHARGES (STATE 156198 WAS ASSOCIATED ISSUE.

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F. FORD MOTOR CO. (TRUCKS). GOS STATEAGENCY HAS RECEIVED APPROVAL FOR PURCHASE 200 US-MANUFACTURED FORD PICK-UP TRUCKS. TOTAL VALUE: $750,000. COMMENT: SALE PROCEEDING DESPITE FORD PRESENCE ON BOYCOTT LIST AS RESULT CLOSE PERSONAL ATTENTION TO MARKET BY FORD REGIONAL REP, FORD MEDIUM-TERM FINANCING AND IMPROVED COMPETITIVE PRICES.

G. OIL EXPLORATION - ADOBE CORP. AND OCEANIC EXPLORATION CO. ARE IN FINAL STAGE ESTABLISHING BRANCH OFFICES IN SUDAN IN CONNECTION WITH OIL EXPLORATION IN CONCESSIONS ALONG THE SUDANESE RED SEA COAST.

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3. ASSESSMENT. THESE COMMERCIAL RESULTS ARE RESPECTABLE CONCLUSION TO OUR EFFORTSOVER THE PAST YEAR EXPAND US-SUDAN COMMERCIAL RELATIONS AND MEET SUDAN'S INTEREST IN ATTRACTING US PRIVATE CAPITAL AND TECHNOLOGY--A MAJOR INCENTIVE OF THE GOS IN RESUMING DIPLOMATIC RELATIONS. SUCCESS CAN BE ATTRIBUTED TO (A) SUDANESE INTEREST--EVEN PREFERENCE--FOR US GOODS, TECHNOLOGY AND EXPERTISE FOLLOWING HIATUS CAUSED BY SIX-YEAR BREAK IN RELATIONS, (B) IMPROVED COMPETITIVE POSITION US PRODUCTS, (C) AVAILABILITY CATALYTIC CREDIT--PARTICULARLY EXIM, (D) REPREATED VISITS BY THE AMERICAN BUSINESSMEN INVOLVED, AND (E) CONSIDERABLE EMB ASSISTANCE (TO BE FRANK). SIMILAR RESULTS WILL BE DIFFICULT ACHIEVE NEXT TWELVE MONTHS, BUT THIS INITIAL SURGE IS FAVORABLE BASE FOR EXPANDING FUTURE US INVESTMENT/ COMMERCIAL INTERESTS. EARTH SATELLITE STATION, FOR EXAMPLE, WILL EASE COMMUNICATIONS PROBLEMS WHICH ARE A CURRENT NEGATIVE FACTOR IN THE INVESTMENT/BUSINESS CLIMATE. ANOTHER MAJOR US FIRM (FOOD MACHINERY CORP.) ALSO IN ACTIVE NEGOTIATIONS WITH THE GOS.

4. US TRADE POSITION. US EXPORTS TO SUDAN ARE ALREADY RUNNING (FIRST TWO QUARTERS) 32 PERCENT AHEAD OF SAME RATE IN 1972; DEFICIT (1971) OF $4.2 MILLION WAS REVERSED IN 1972 BY A $10 MILLION NET SWING AND BOEIGN DELIVERIES (1974) GUARANTEE QUANTUM JUMPS. US IS, HOWEVER, STILL MINOR (5 PERCENT) SOURCES FOR SUDAN'S IMPORTS AND MARKET REMAINS LIMITED BECAUSE OF TRANSPORTATION BOTTLENECKS, LIMITED FX AND PAST HISTORY OF POLITICAL INSTABILITY. STILL, SUDAN OFFERS SELECTIVE OPPORTUNITIES WORTH EXPLORING FOR US FIRMS--PARTICULARLY IN THE AGRICULTURAL FIELD.

5. PUBLICITY. THE EMBASSY BELIEVES THAT PUBLICATION OF THIS
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INITIAL PHASE OF AMERICAN COMMERCIAL ACTIVITY IN THE SUDAN MIGHT STIMULATE INCREASED AMERICAN BUSINESS INTEREST IN THE SUDAN. APPROPRIATE TIMING OF AN ARTICLE MIGHT BE ABOUT SEPT. 10 WHEN ESS GROUND-BREAKING CEREMONY IS SCHEDULED TO BE HELD. APPROPRIATE MATERIAL COULD BE PREPARED FROM THE FACTS CONTAINED IN PARA. 2 OF THIS CABLE (APPROPRIATELY SANITIZED) AND FROM THE EMBASSY APPRAISAL OF THE SUDANESE INVESTMENT CLIMATE FURNISHED IN OUR A-25 OF APRIL 10, 1973. THE EXPANDED STATEMENT MENTIONED IN THAT REPORT IS BEING POUCHED AS KHARTOUM A-71. ACTION REQUESTED: THAT AN APPROPRIATE ARTICLE NOTING THE SUCCESS OF US-SUDAN COMMERICAL RELATIONS FOLLOWING THE RESUMPTION OF DIPLOMATIC RELATIONS BE PREPARED FOR "COMMERCE TODAY" AND MADE AVAILABLE TO THE "WALL STREET JOURNAL" AND "JOURNAL OF COMMERCE". FRITTS

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